

Opinion / Op-Ed

What Will Tax Policy Be in Michigan (by Rep. Fulton J. Sheen, R-Chair, Tax Policy)

In the early 1990s, the last time Michigan was at the bottom of the economic ladder, it didn't try to nibble its way up with a bunch of small targeted tax cuts or shifts. Instead it boldly did two things: 1) cut property taxes by 50 percent for every homeowner and business across the state and capped future growth to five percent or the rate of inflation, whichever is less, and 2) reformed the state's welfare system which was sucking the life out of the budget. Michigan went from a high property tax state to a low one and, within three years of the passage of Proposal A, Michigan led the nation for several years in job creation.

Today, we find ourselves at a similar crossroads with an unemployment rate well above the national average, and a continuing erosion of our manufacturing jobs base. This month, despite a falling overall unemployment rate, Michigan lost another 6,000 manufacturing jobs.

Governor Granholm has rightly called for a change in the business tax structure in Michigan. For too long we have burdened our manufacturers and other businesses with an oppressive and complicated Single Business Tax (SBT). The current tax scheme punishes Michigan job providers, and has been a target for elimination by many Republicans for some time.

Yet while I applaud the governor for finally proposing a change to the current SBT structure, I am disappointed with many of the details.

First, the plan purports to be "revenue-neutral," meaning that while some Michigan businesses will receive tax breaks, other businesses will see their burdens increase- tremendously in some cases. This kind of solution puts government in the position of picking winners and losers, a dangerous precedent no matter what the intentions.

Secondly, the governor's plan raises taxes on those businesses in the professional service sector, like engineering and accounting firms that are currently creating jobs. Imposing a larger and more onerous tax burden on the companies expanding and hiring new employees hardly seems like an effective solution to our current employment crisis.

Third, the governor's plan doubles the state tax on insurance policies, a tax which will undoubtedly get passed straight from the insurance companies to the consumer.

Some aspects of the governor's plan are enticing, and will no doubt receive broad bipartisan support. Cutting the SBT from 1.9 percent to 1.2 percent, providing a 35 percent personal property tax credit for personal property taxes that are paid by manufacturers, and changing the SBT apportionment factor to 100 percent sales, are all great steps in the right direction

My concern is that her plan seems to be more like the proverbial shell game, shifting the burden of paying the SBT from one Michigan business sector to another. Government is at its worst when it arrogantly is picking winners and losers by shifting the tax burden around; ultimately taxpayers are left to pay the tab.

Like 14 years ago, our situation demands that we act boldly. We need tax relief not shifts; we need to spend less, not more; and we need surgery on Michigan's tax and regulatory environment, not a Band-aid. We need to act decisively to provide across-the-board tax relief that benefits all businesses - big and small, union and non-union.

Many states have killed job growth and hurt their own employers because of poor tax policy, over-regulation, and micro-management. If we want to keep Michigan's job providers from leaving and make our state more attractive and inviting to businesses, then we must remove the onerous rules, regulations and tax policies which impede growth, and make the cost of doing business affordable in Michigan.